

INTERIM REPORT FOR AU-SYSTEM AB (PUBL) JANUARY – SEPTEMBER 2001

- The revenue was SEK 761.8 million (584.7 m), an increase of 30%.
- International revenue was SEK 125.1 million (47.1 m), an increase of 166%.
- The profit before depreciation and amortisation (EBITDA) was SEK 16.8 million (40.6 m). This is equivalent to a margin prior to depreciation and amortisation of 2.2% (7.0%). The profit for 2000 includes refund money from the Swedish Pension Fund, SPP, with a positive contribution of SEK 8.2 million.
- Operating profit (EBIT) was SEK -14.2 million (21.9 m). The operating profit is equivalent to an operating margin of -1.9% (3.8%).
- Profit after financial items was SEK -7.0 million (18.9 m).
- Net earnings per share after full tax on a fully diluted basis was SEK -0.11 (0.10).
- Cash flow from the current operations was SEK 36.6 million (-42.7 m).
- AU-System strengthened its financial position through a directed new share issue of 10,000,000 shares raising SEK 74.7 million to the company, after deducting expenses related to the issue.
- As of September 30 cash and similar assets was SEK 189.6 million (138.7 m). The company had interest-bearing debt of SEK 89.5 million (110.8 m).
- AU-System and Ericsson Mobile Communications closed an outsourcing agreement on the development of software for synchronisation and configuration of mobile phones.
- AU-System signed a general agreement with Comneon around application development for mobile terminals.
- AU-System is launching a new action program, resulting in staff reductions of up to 90 employees.

Market development

Our market situation has been worse than expected during the third quarter. In addition to the action program announced in June we now implement a second program with focus on further cost savings. The program consists of the following main actions:

- Staff reductions of up to 75 employees in Stockholm and Lund, Sweden, of which approximately 20 are non-billable personnel.
- Staff reductions of up to 15 employees in the international offices, mainly in Singapore, of which approximately 5 are non-billable personnel.

The new action program will be fully implemented during the first quarter 2002 and is expected to generate an annual cost saving of about SEK 45 million. The action program is expected to cost around SEK 17 million, which will effect the result in the fourth quarter this year.

The previously announced action program is running according to plan, and is expected to generate cost savings of approximately SEK 50 million during 2001.

During the third quarter we further strengthened our financial position through a directed new share issue raising SEK 74.7 million to the company, after deducting expenses related to the issue. The purpose of the share issue is to strengthen the company's financial position and thereby facilitate further expansion, for example through outsourcing agreements.

The market is currently characterised by lower demand, longer sales-cycles, and increased price pressure. Customers are in general basing purchase decisions on AU-System's proven ability to deliver solutions with short return-on-investment and solutions that presents substantial cost-savings. Under these market conditions AU-System's experience and ability to take on outsourced research and development projects is important. During the third quarter we signed an outsourcing agreement with Ericsson Mobile Communication taking over 24 employees and the development of software for synchronisation and configuration of mobile phones. The company believes that there will be more possible outsourcing opportunities in the future.

The demand for our enterprise services, which decreased during the first six months, seem to have stabilised during the third quarter. We have strengthened our position in the government segment, resulting in orders from the Swedish National Police Board, the Swedish Post, and recently also the Swedish National Debt Office.

In the operator market we have seen an unexpected and strong slowdown. The earlier seen decrease in infrastructure investments has now also extended to service development and services related to Operations Support Systems.

The supplier market continues to be strong. During the third quarter we have won a number of new strategic clients, for example Comneon, which has compensated

for lower volumes from Ericsson. We will transfer a number of resources from business area Operators to business area Suppliers in order to meet the demand.

AU-System's unique expertise regarding emerging technologies within IT and telecommunications combined with the measures taken in our action programs, and our solid financial position enables the company to stand strong in the present market conditions. AU-System believes that the need for communication will increase in the long run and the company therefore remains positive about the long-term growth potential of the telecommunications market.

International expansion

Profitability is the main focus for all our international offices. AU-System's new action program includes staff reductions of up to 15 employees in the international offices, mainly in Singapore. The fourth quarter result for the international offices is not expected to reach break-even. However, the trend is that the loss decreases each quarter.

At the end of the period AU-System had 64 (35) employees outside Sweden. International sales amounted to SEK 125.1 million (47.1 m) during the period under review, this is equivalent to 16% (8%) of the total revenue. The trend of an increasing international share of total revenue each quarter is well in line with AU-System's ambition to reduce the dependency on the Swedish market.

Product company generation

All activities relating to product company generation are carried out within AUXEMA, owned jointly by AU-System, IT-Provider, web-angel and McKenna Venture Accelerator. The company currently expects to spin off one product company during 2001.

Revenue, profit and cash flow

AU-System's revenue increased by 30% to SEK 761.8 million (584.7 m) during the period. The organic revenue growth was 21%.

The profit before depreciation and amortisation (EBITDA) was SEK 16.8 million (40.6 m). This is equivalent to a margin prior to depreciation and amortisation of 2.2% (7.0%). The profit for 2000 includes refund money from the Swedish Pension Fund, SPP, with a positive contribution of SEK 8.2 million.

The operating profit (EBIT) was SEK -14.2 million (21.9 m). The operating profit is equivalent to an operating margin of -1.9% (3.8%).

The profit after financial items was SEK -7.0 million (18.9 m).

Cash flow from the current operations was SEK 36.6 million (-42.7 m). The total current year cash flow was 80.9 million (87.9 m). The cashflow for 2001 includes 74,7 million from the new share issue in September. The cashflow for 2000 includes 227.9 million from the IPO in June.

Employees

AU-System had an average of 974 employees over the period, compared with 694 for the same period the preceding year, an increase of 40%.

At the end of the period the number of employees was 1,014 (861), an increase of 18%.

Financial position

At the end of the period the company had liquid funds of SEK 189.6 million (138.7m). In addition, the company has unused lines of credits amounting to SEK 20 million. The company has interest-bearing debt of SEK 89.5 million (110.8 m).

On September 4, 2001 AU-System announced a new share issue of 10,000,000 shares priced at SEK 8 per share raising SEK 74.7 million to the company, after deducting expenses related to the issue.

Receivables from trade debtors amounted to SEK 218.6 million (203.7 m) as of September 30. Days-sales-outstanding was 85 days (80).

Shareholders' equity totalled SEK 435.7 million (356.4 m) at the end of September.

The equity/assets ratio was 60.3% (58.8%).

Investments

Investments in subsidiaries accounted for SEK 20.4 million. SEK 15.4 million was invested in tangible assets and new premises. Cash flow used by investment activities during the period was SEK 18.5 million (122.1 m).

Parent company

AU-System AB's revenue for the period under review was SEK 660.2 million (505.3 m). Profit after tax was SEK 42.4 million (21.3 m).

The parent company's interest-bearing net cash at the end of the period was SEK 168.7 million (156.3 m). Shareholders' equity was SEK 502.7 million (408.6 m).

The net investments for the period under review amounted to SEK 73.9 million (234.1 m).

Share data

Earnings per share after full tax on a fully diluted basis was SEK -0.11 (0.10). At the end of the period, shareholders' equity per share on a fully diluted basis was SEK 4.37 (3.52).

On September 3, 2001, the Board of Directors of AU-System decided on a directed new share issue of 10,000,000 shares based on an authorisation from the Annual General Meeting held on May 11, 2001.

The parent company had 98,853,475 outstanding shares as of September 30, 2001. The number of shares fully diluted at end of period was 99,685,048.

Shareholdings

As of September 30, 2001, AU-System had 8,053 shareholders. The company's largest shareholders include Schroder Ventures, the Capital Group, Ericsson and IBM.

Important events after the end of the period under review

AU-System, Nokia and Sony Ericsson have taken an initiative for MMS interoperability. Within the framework of the initiative, AU-System will initially develop a suite of test tools according to the Nokia and Sony Ericsson MMS Conformance Paper.

AU-System has been commissioned by the Swedish National Debt Office, Riksgäldskontoret, to develop a new system to handle information about payments made by governmental institutions.

Future prospects

In the half-year report, AU-System expected a full year revenue growth of about 25% and a slight decrease of margins compared to 2000. The company will not reach this forecast. This is due to a generally weak market development, particularly the unexpected and sharp decline in operator demand.

The company's long-term financial ambition is still a yearly organic (without acquisitions) revenue growth of 30 – 40% with a long-term EBITDA margin of 15%.

We will continue to focus on the deliverance of high-quality performance in our customer assignments. Our ambition is to be the "number one" on quality and competence in the minds of our customers. As further proof of this our quality certificate was upgraded to comply with ISO 9001:2000 during the period.

Our efforts to make AU-System the most attractive employer in the business for highly-skilled staff will continue.

Accounting principles

This interim report has been prepared in accordance with the Swedish Financial Accounting Standards Council Recommendation RR20. The accounting principles applied in the annual report for 2000 have remained unchanged.

Telephone conference

AU-System will be presenting the interim report during a telephone conference held at 12.00 PM CET (GMT+1), on November 7, 2001. The conference call will include a Question and Answer session with President and CEO Tomas Franzén and CFO Joachim Jaginder.

Dial in number: +44 (0)20 8781 0577

A recording of the telephone conference will be available for 7 days.

Replay number: +44 (0)20 8288 4459, replay code: 614 232.

Presentation material can be obtained from www.ausystem.com on November 7. The presentation can also be viewed on the Internet.

Upcoming financial reports

February 20, 2002 - Year-end Report 2001

Stockholm, Sweden

November 7, 2001

For the Board of Directors:

Tomas Franzén, President and CEO

The company's auditors have not reviewed this Interim Report.

For additional information, please contact:

Tomas Franzén
President & CEO
Tel: +46 70 576 32 05

Joachim Jaginder
CFO
Tel: +46 70 669 76 64

Johannes Rudbeck
Investor Relations
Tel: +46 70 582 56 56

Summary Consolidated Income Statement

<i>(Amounts in MSEK)</i>	July - Sept 2001	July - Sept 2000	Jan – Sept 2001	Jan – Sept 2000	Full Year 2000
Revenue	198.1	192.4	761.8	584.7	866.1
Operating expenses	-210.1	-178.7	-745.0	-544.1	-805.8
Depreciation of tangible fixed assets	-4.3	-2.9	-13.4	-7.4	-12.8
Depreciation of intangible fixed assets (amortisation of goodwill)	-5.8	-4.8	-17.6	-11.3	-16.6
Operating profit	-22.1	6.0	-14.2	21.9	30.9
Net financial items	2.4	1.7	7.1	-3.0	-5.1
Profit after financial items	-19.6	7.7	-7.0	18.9	25.8
Income tax	3.8	-3.9	-3.2	-9.5	-13.4
Net income	-15.8	3.8	-10.2	9.4	12.4

Summary Consolidated Balance Sheet

<i>(Amounts in MSEK)</i>	Sept 2001	Sept 2000	Dec 2000
ASSETS			
Fixed Assets			
Intangible fixed assets, goodwill	197.2	179.2	194.4
Tangible fixed assets	41.9	29.6	39.9
Financial fixed assets	5.2	4.3	29.4
Total Fixed Assets	244.3	213.1	263.7
Current Assets			
Trade debtors	218.6	203.7	259.1
Other receivables and prepaid expenses	70.2	50.4	40.3
Total current receivables	288.8	254.1	299.4
Cash and similar assets	189.6	138.7	108.7
Total Current Assets	478.4	392.8	408.1
TOTAL ASSETS	722.6	605.9	671.8
EQUITY AND LIABILITIES			
Total equity	435.7	356.4	356.3
Total provisions	7.0	0.9	4.9
Total long-term liabilities	91.6	105.0	115.4
Total current liabilities	188.4	143.6	195.1
TOTAL EQUITY AND LIABILITIES	722.6	605.9	671.8

Change in Equity

<i>(Amounts in MSEK)</i>	Jan – Sept 2001	Jan – Sept 2000	Full Year 2000
Opening amount as per adopted balance sheet	356.3	13.7	13.7
Effect of changed accounting principles	–	2.6	2.6
Opening amount adjusted according to new principle	356.3	16.3	16.3
New share issue	93.2	328.5	325.7
Issue of warrants	–	2.2	2.2
Translation gains on consolidation	-3.6	-0.1	-0.3
Profit for the period	-10.2	9.4	12.4
Closing amount	435.7	356.4	356.3

Consolidated Cash Flow Statement

<i>(Amounts in MSEK)</i>	Jan – Sept 2001	Jan – Sept 2000	Full Year 2000
Cash flow from the current operations before changes in working capital	17.5	37.1	49.5
Change in working capital	19.1	-79.8	-76.9
Cash flow from the current operations	36.6	-42.7	-27.4
Cash flow used by investing activities	-18.5	-122.1	-162.9
Cash flow from financing activities	62.7	252.7	248.3
Current year cash flow	80.9	87.9	57.9
Opening balance of liquid funds	108.7	50.8	50.8
Closing balance of liquid funds	189.6	138.7	108.7

Key Ratios

<i>(Amounts in MSEK)</i>	Jan – Sept 2001	Jan – Sept 2000	Full Year 2000
Revenue, costs, profit and cash flow			
Total revenue	761.8	584.7	866.1
International revenue	125.1	47.1	77.2
Costs for incubator	2.4	1.5	2.7
Operating profit before depreciation and amortisation (EBITDA)	16.8	40.6	60.3
EBITDA excluding refund from SPP	16.8	32.4	52.1
Operating profit before amortisation of goodwill (EBITA)	3.4	33.2	47.5
Operating profit (EBIT)	-14.2	21.9	30.9
Operating profit (EBIT) excluding refund from SPP	-14.2	13.7	22.7
Net financial items	7.1	-3.0	-5.1
Profit after financial items	-7.0	18.9	25.8
Net earnings per share, full tax, before dilution SEK	-0.11	0.12	0.15
Net earnings per share, full tax, fully diluted, SEK	-0.11	0.10	0.13
Cash flow	80.9	87.9	57.9
Cash flow per share, SEK	0.91	1.08	0.70
Cash flow per share fully diluted, SEK	0.90	0.92	0.61
Financial position			
Equity	435.7	356.4	356.3
Equity per share, SEK	4.41	4.13	4.13
Equity per share, fully diluted, SEK	4.37	3.52	3.58
Total assets	722.6	605.9	671.8
Equity/assets ratio	60.3%	58.8%	53.0%
Profitability			
Operating margin before depreciation and amortisation (EBITDA)	2.2%	7.0%	7.0%
EBITDA margin excluding refund from SPP	2.2%	5.5%	6.0%
Operating margin before amortisation of goodwill (EBITA)	0.4%	5.7%	5.5%
Operating margin (EBIT)	-1.9%	3.8%	3.6%
Operating margin (EBIT) excluding refund from SPP	-1.9%	2.3%	2.6%
Return on equity	-2.6%	8.1%	6.7%
Return on capital employed	-0.6%	9.6%	12.3%
Interest-coverage ratio	-0.7	3.3	3.7

Key Ratios

	Jan – Sept 2001	Jan – Sept 2000	Full Year 2000
Employees			
Average number of employees	974	694	740
Number of employees at end of period	1,014	861	939
Revenue per employee, kSEK	782	843	1,170
EBITDA per employee, kSEK	17	59	81
Share Data			
Share price at end of period, SEK	7.8	79.0	51.0
Number of shares at end of period	98,853,475	86,303,375	86,303,375
Maximum number of shares including all options issued	115,587,207	104,527,207	104,527,207
Number of shares fully diluted at end of period	99,685,048	101,282,498	99,428,140
Average number of shares	89,096,784	81,759,779	82,898,842
Weighted average number of shares fully diluted	89,928,358	95,616,839	95,304,578